

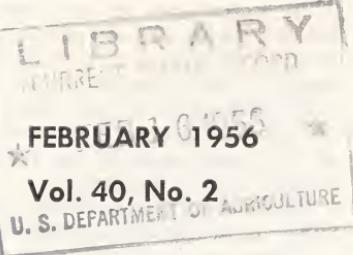
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p. 3

# Agricultural Situation



Agricultural Marketing Service  
U. S. Department of Agriculture

## In This Issue

|                                      | Page |
|--------------------------------------|------|
| Farmer Gets Less of Food Dollar----- | 1    |
| Dairy Farms Are Larger-----          | 4    |
| General Outlook-----                 | 5    |
| "Hot" News From Cold Storage-----    | 6    |
| Bert Newell's Letter-----            | 8    |
| Use More Surplus Food-----           | 9    |
| Labor Needed to Make \$100-----      | 10   |
| Acreage Guides Announced-----        | 11   |
| Stocks of Food Fats May Drop-----    | 12   |
| Fewer Farms Have Chickens-----       | 13   |
| Need Money For Broiler-Raising?----- | 14   |
| Plentiful Foods-----                 | 16   |

## FARMER'S SHARE OF FOOD DOLLAR DROPS

The farmer's share of the consumer's retail food dollar has dropped steadily from a record high of 53 percent in 1945 to 41 percent in 1955. In December 1955 the farmer was getting only 38 percent, or about the same share he got in 1939. Consumers are spending more dollars for food, but farmers' receipts have not kept up with this increase because of the higher marketing costs.

Marketing the nation's food is a tremendous job. And trying to find out why changes occur as they do is a complex task. We have statistics on many factors in the marketing of food all the way from the farm to the consumer's table. Getting all these figures together so that we can look at them and understand what is going on is not as easy as we'd like it to be. But we have worked out several ways that can help clear up the picture.

First, we'll look just at food. The farmer, of course, sells many things besides food—cotton, tobacco, and wool, for instance. And some of the food products can be turned to other uses such as alcohol or starch. Also, some foods have byproducts, such as hides. But in the series of figures on the food dollar we have made allowance for this.

We have a statistical picture of what can be called the "market basket."

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Articles In This Publication

This is the cost of a typical family market basket of food products of U. S. farms. It does not include imported foods or fishery products. We work out the retail value of this fixed quantity of foods. Then we compute the value of the same quantity at farm prices, leaving out the byproducts.

The difference between the farm value of the market basket and what the consumer pays for it is called the marketing margin. This includes the costs of processors, transportation agencies, wholesalers, retailers, and others who move the food from farms to the consumer.

The farmer's share has been going down in recent years while the marketing share has been going up.

The slower rise in the cost of marketing during World War II was partly the result of wartime wage and price controls. Subsidies were paid to certain types of marketing firms to keep retail prices from going up. These also raised the farmer's share to a higher percentage of retail cost than otherwise would have been true. For some products farmers received Government producer payments which also were intended to hold down retail prices during the war period.

### Marketing Costs Up

Since the war, almost all costs of marketing and profits have increased. Wages, transportation, costs for packaging, fuel, equipment, rents, and State and local property taxes have increased substantially.

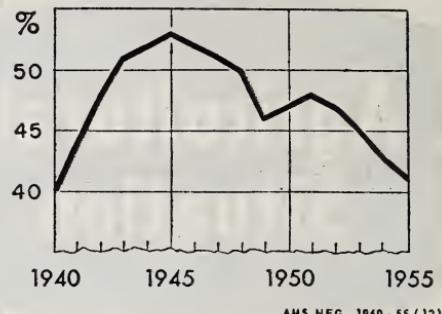
Wage rates are almost double 1945 levels, although actual labor costs have not increased as fast as wage rates because output per man-hour has increased.

Profits of food marketing firms are a part of the farm-retail price spread.

**The Agricultural Situation is sent free to crop, livestock, and price reporters in connection with their reporting work.**

Editor: Jack L. Flowers

## FARMER'S SHARE OF THE CONSUMER'S FOOD DOLLAR



AMS NEG. 1960-55 (12)

Profits of these firms expressed as a percentage of the sales dollar reached a high point in 1946. They declined during the next few years; since then they have fluctuated considerably but have shown no marked trend.

Total profits before taxes of a group of large food processors, wholesale distributors, and retail food chains have grown substantially since 1945. Larger total profits in recent years can be explained primarily by increased volume of food sales handled by these firms.

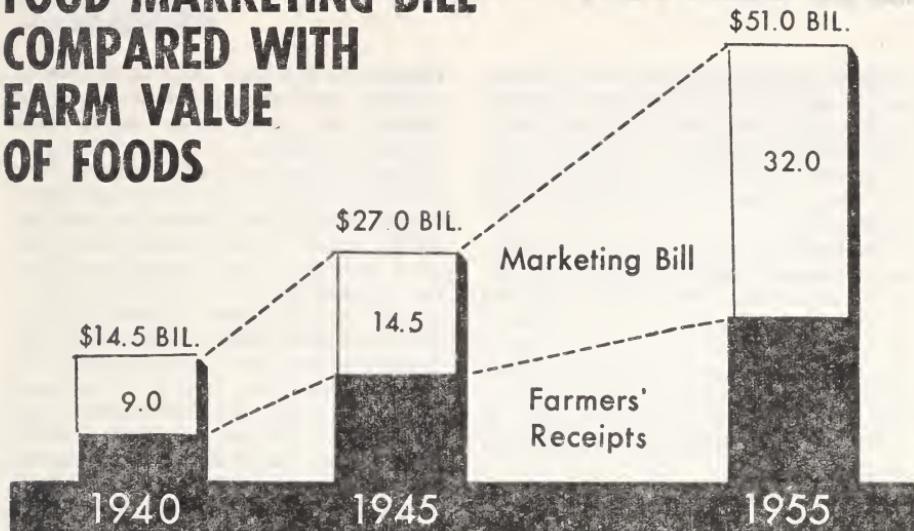
Retail food prices have more than doubled since 1940. In recent years, however, food prices have tended downward. Meanwhile, disposable income per person has continued its upward climb in all but 1 year since 1940.

Consumers spent a slightly larger share of their income after taxes for food in 1955 than they did before World War II. In 1935-39, consumers spent 23 percent of their income for food. If they had bought the same kinds and quantities in 1955, they would have spent only 17 percent for food. As a matter of fact, in 1955 consumers spent 25 percent of their income for food because they ate more and better foods at

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Assistant Editor: Marcelle Masters

# FOOD MARKETING BILL COMPARED WITH FARM VALUE OF FOODS



AMS NEG. 1970-55 (12)

home, bought more restaurant meals, and were willing to pay for more services with their foods.

Another way to study the change in the farmer's situation is to look at the total amount of money spent for food. Total money spent by consumers for foods produced on U. S. farms, including that bought in restaurants, jumped from 14.5 billion dollars in 1940 to 51 billion dollars in 1955. Farmers' receipts from sales of food products increased from 5.5 billion dollars to 18.5 billion dollars in this period. The marketing bill (the difference between consumer expenditures and farmers' receipts from the sale of food products) thus increased from 9 billion dollars to 32 billion dollars. The largest rise in farm receipts came between 1940 and 1945 while the biggest rise in the marketing bill has come since 1945.

Several factors accounted for the 23-billion dollar increase in the marketing bill from 1940 to 1955. The volume of food marketed is more than 40 percent larger. This increase would raise the 9-billion dollar bill of 1940 to about 13 billion dollars (at 1940 prices). With the general rise in all prices and costs since 1940, charges for performing marketing operations roughly doubled. This adds another 13 billion dollars.

The remaining 6 billion dollars of the increase is for new marketing services added since 1940. But the improved efficiency in marketing between 1940 and 1955 suggests that some additional marketing services are being provided without adding to the total marketing bill.

Between 1940 and 1955, the number of workers on farms declined by about one-fourth while the number of workers engaged in processing and distributing food products has increased by almost a fourth. This shows a tremendous increase in the productivity of farm workers. Productivity of workers in food marketing has also increased since 1940 although perhaps not as spectacularly as in agriculture. But the marketing system provides many more services today than in 1940.

Many foods are now ready for cooking when the housewife buys them. More people have jobs away from home and are eating their noon meals in restaurants and cafeterias. More fresh foods are available the year around, which means more refrigeration, longer transportation hauls, and more handling of produce.

Kenneth Ogren  
Harold Rabinowitz  
Marketing Research Division, AMS

# Larger-Scale Dairy Farms Increase

Dairymen are keeping step with the rest of agriculture in the trend toward larger-scale operations. The number of farms selling milk is declining, but sales per farm are increasing so rapidly that total sales have reached a new record high.

For the country as a whole, the number of farms reporting milk cows declined 19 percent from 1944 to 1950 and an additional 20 percent from 1950 to 1954. Although there was a shift from sale of farm-separated cream to whole milk, the number of farms selling whole milk declined 6 percent from 1944 to 1949 and then dropped 15 percent by 1954.

Sales of whole milk averaged 88,000 pounds per farm for the U. S. as a whole in 1954, an average of 240 pounds per day. The range among States was very wide, from less than 30,000 pounds in Tennessee to over 400,000 pounds for California and in excess of 500,000

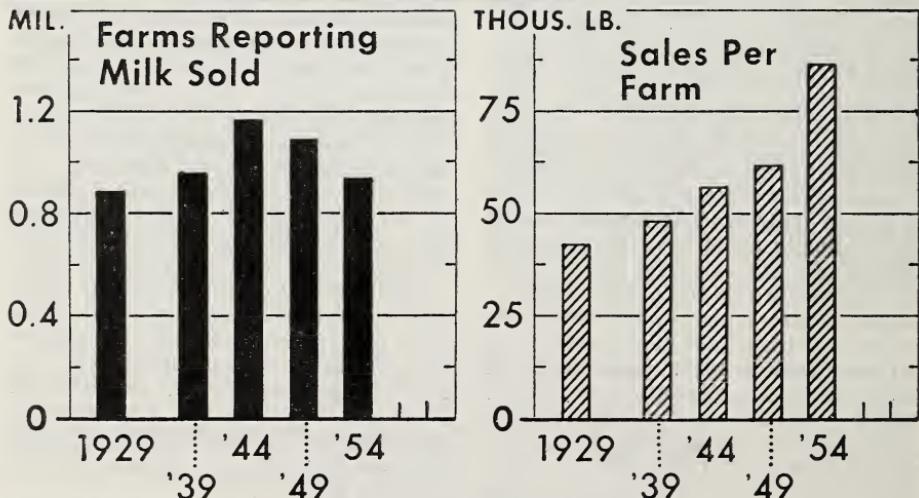
pounds for Florida. All States showed a higher average in 1954 than 5 years earlier, in some cases more than doubling volume.

Part of this increased volume is the result of rising production per cow, partly from larger number of cows per farm. Gain in rate per cow has averaged between 1 and 2 percent per year for the past 15 years. This reflects improved quality of cows, that is, greater inherent production ability, and also better feeding and management.

Dairymen, like operators of most other types of farms, are under strong pressure to reduce unit costs. Many methods for doing this are known but are being only partially applied. Most of these are premised upon larger dairy herds. In the next decade, the increase in scale of dairy operations probably will rise even more rapidly than in the last 10 years.

Herbert C. Kriesel  
Agricultural Economics Division, AMS

## Fewer Farms Selling Milk but Sales Per Farm Increase



BASED ON DATA FROM BUREAU OF THE CENSUS

Prospects are that farm product prices in the early months of 1956 will average somewhat above the low levels reached in December 1955. The year 1956 begins with consumer incomes, industrial production, business investment, retail sales and nonfarm employment at record levels.

## Farm Program

The President's message to Congress on the farm program characterized the farm situation as an oversupply of commodities which drives down prices as farmers' costs continue high. He recommended a nine-point program of which the Soil Bank was a major new feature. The first part of the Soil Bank—the Acreage Reserve Program—is a deferred-production plan aimed at reducing production and carryovers of crops in greatest surplus by voluntary reductions in plantings below the allotment acreage of wheat, cotton, corn, and rice. The second part would set up a Conservation Reserve Program to improve long-range land use and protect farmers and ranchers from the effects of production on diverted acres.

The Soil Bank program would provide payments to induce farmers to set aside some 40 to 45 million acres.

The message also proposed expansion of many other programs including surplus disposal, price support, farm credit, and agricultural research, and urged the repeal of the Federal tax on gasoline used on the farm.

## Livestock

Hog slaughter will decrease this winter but will remain above last year; cattle slaughter will also equal or exceed last winter but will fall below 1955 in the last half of the year. Prices of cattle in 1956 will probably average slightly higher than in 1955 and hog prices slightly lower. Total meat output will likely exceed last year during the first half of 1956, but it may be smaller than a year earlier in the second half.

## Dairy

With more favorable price relationships than a year ago, milk production

probably will continue at peak rates this winter. Use of milk in fluid outlets continues substantially larger than a year earlier. This reflects increased consumer purchases as well as an expansion of special programs to increase milk consumption in schools and by military personnel. Retail prices for milk continue a little above a year earlier.

## Poultry

Broiler prices in January were below a year earlier. In January broilers placed in 22 States totaled about one-third more than a year earlier.

Egg and turkey prices closed strong in 1955. This strength, coupled with lower feed prices than a year earlier, will probably induce production increases for those commodities in 1956.

## Feed Grains

Feed grain prices, particularly corn, have recovered sharply from the lows of last fall but feed prices are still well below a year earlier. The 1955 feed grain crop is second only to the record production in 1948. Heavier utilization of feed grains is expected in 1955-56 than in 1954-55 as well as some further increase in carryover at the close of the season.

## Vegetables

Freezing and near-freezing temperatures in Florida from January 6 through January 15 curtailed harvests through damage to mature vegetables and the slowing of growth of fields approaching maturity. Marketings of vegetables, particularly the tender kinds, are expected to be well below normal levels for several weeks.

Among the more important winter vegetables, prospective production of tomatoes, snap beans, sweet corn, green peppers, and cucumbers has been reduced sharply.

This year's output of hardy winter vegetables in Florida, Texas, and California is still expected to surpass 1955 production, however.

# Farmers Get "Hot" News From Cold Storage Report

Could you give a monthly inventory of the various items in your refrigerator or home freezer, what with the constant change in the number of articles stocked?

Well, this is the same type of question asked operators of cold storage warehouses and each month they report to the Crop Reporting Board their inventories on some 80-odd storage items for a national food stocks report.

And how does a monthly Cold Storage Report help farmers and livestock producers?

The Cold Storage Report provides information as to the volume of food being carried over into the new season and how fast a new stockpile is being built during the storage season.

You can readily see that when there is a sizable carryover of certain stocks into the new season, the prices you farmers will receive for these products may be affected adversely unless, of course, the new crop is decidedly short.

On the other hand, if stocks are not moving into storage in normally expected amounts because of a strong demand, it means that the market supply may become short during the non-production season and prices received may be higher than in the past.

## Helps Dealers

And, indirectly, the Cold Storage Report helps the farmers and livestock producers because it is of value, too, to those who buy from farmers. Dealers also want to know how much is being stored and whether it is greater or smaller than average. During the period when food stocks are being reduced, dealers are very much interested in the rate of movement and this information can be found in the monthly Cold Storage Report.

In a way, warehousemen are crop and livestock reporters like the thousands of you farmers who regularly send in information on crop and livestock production and stocks.

Yes, the warehousemen are reporting the crop and livestock products that have moved off your farm through the

various marketing channels to warehouses for storage and ultimate consumption.

To feed millions of persons daily, our national refrigerated cupboard must be restocked constantly, and during a year several billion pounds of food are kept in storage each month.

The Cold Storage Report of the U. S. Department of Agriculture provides timely market information to those engaged in the highly competitive business of buying and selling food products. Knowing the answers about supply and demand is a "must" to insure an orderly and efficient marketing system.

## Delays Are Costly

Sometimes shippers have trouble in getting your crops to market because cold storage space is not available in a particular market area. Such delays could be costly. The answer to a problem of this kind is in the Cold Storage Report. Growers, shippers, and others engaged in food handling can find out in which cities storage space may be readily located because warehousemen not only report their inventories but also the amount of storage space that is available.

This monthly market report on food stocks held under refrigeration is made possible because of the willingness of warehouse operators to volunteer the time and effort required to prepare their report each month. For many, it is a chore they have willingly assumed for almost 40 years.

You see, the Cold Storage Report was first initiated back in 1916. To obtain the necessary data for the report, questionnaires are mailed to all types of cold storage plants—public, private, and semiprivate. Included among this number are meat packers, apple houses, dairy plants, etc. In fact, all types of refrigerated facilities in which products are held for at least 30 days or more are included in the monthly survey.

Most of us never give much thought to the benefits that have accrued through the development of the refrigerator car and the cold storage warehousing industry.

Recently, a group of 50 European experts visited the United States to study

our warehousing industry. They reported, "the preservation of food by refrigeration in the United States has become a habit as a result of the extensive cold-chain linking producer and consumer."

At last count, October 1, 1953, the refrigerated warehouse capacity in this country was almost 750 million cubic feet or equivalent to about 4.7 cubic feet per person. The Netherlands, the best equipped country in Europe, has only 1.8 cubic feet per person.

The European visitors also observed that in America certain fruits and green vegetables are not eaten but drunk because of the wide range of tasty and nutritious juices on the market for use as food and beverages. All of this is possible only because of our cold chain which extends across our country with links in every State of the Union.

The storing of food supplies during the season of production for use during nonproduction periods is as old as civilization. Prior to the age of mechanical refrigeration, preservation was principally by use of salt and other preservatives which afforded protection only for limited periods and in moderate quantities.

### Steadies Prices

With the development of the cold-storage industry, it was possible to conserve food products without significant changes in food value or flavor. Accordingly, the preservation of these products in almost fresh state from the season of greatest production to the season of nonproduction furnishes the consumer with an adequate and wholesome food supply of many items. It provides the farmer with year-round markets thereby stimulating production and, in addition, tends to stabilize market prices by relieving market gluts and attendant economic waste and loss often resulting from oversupply.

Preserving food from one season to the next is not the only function of the cold storage industry. Prices paid by consumers for certain food articles during certain months of the year would certainly be much higher but for the fact that by means of refrigeration one can preserve food supplies purchased during the production season



for sale during the nonproduction season when limited supplies would command a much higher price. Thus, there is a greater stability of price throughout the year.

The greatest advantage, perhaps, of food preservation through mechanical means is the development of wider markets for the food industry. With refrigerator cars, food can be shipped long distances and stored at points far removed from the producing areas. Commodities which normally would be on the market for only a few weeks and then mostly in the vicinity of the producing area can now be found year-round in market places throughout the country.

And what of the future? Much research and investigation is now going on in private and Government laboratories to improve our freezing techniques and develop new products for conservation through refrigeration. You may be interested in knowing that not only food but nonfood products as well are held under refrigeration.

It would not be unusual to find in a warehouse any one of the following articles: Cigars, medical supplies, cut flowers, florist greens, cuttings, hides, and pelts.

### Helpful Ladybug

You probably wouldn't believe it if you saw it but even ladybugs are kept in cold storage. It seems, that when packaged and stored at about 36 degrees F. until spring, they will go to work on harmful aphids and other crop pests after they revive from hibernation.

Melvin R. Banks  
Agricultural Estimates Division, AMS

# "Bert" Newell's Letter

I have had a pain that wouldn't seem to go away, so I went to see my doctor. He tried a while, then said, "Go to the clinic." Did you ever go through one of those things? The first thing they did was to ask me all about my family—clean back to my grandparents. I felt awfully dumb, I didn't know whether grandma had measles, or father had hives, but I did know that grandpa was shot at Antietam. I could tell them that because I had heard the story many times and I remember his stiff arm. The doctor said right off that didn't have anything to do with my misery, though. The next thing that happened was, they X-rayed my shoulder and left knee. Well, that did it. So I said, "Look Doc, I've got a stomach ache and you haven't come close to that yet." "Oh," he said, "we'll get around to it." Any they did, but first they looked at my eyes, poked in my nose, and gagged me with some sort of dingus they stuck down my throat. Well, I thought they must have a system that starts at the top and goes down. Thing that bothered me was how they got out of the routine and took a picture of my left knee on the first day.

Anyway, they got down to where I hurt 3 days later. Strange things happened. After about 10 days they told me there wasn't anything wrong with my stomach at all, but my gall bladder was all out of kilter. Isn't it funny how things come out? I've always had a pet gripe against people who were all the time pushing in where they weren't wanted. So now I know why. My "gall" has been plugged up inside me for all these years. I've been trying to sell the Doc on reaming it out, even offered to loan him my plumbing kit. You see I've always wanted to see how it would feel to have "gall" enough to push in line in front of a lot of people or crash parties, but Doc says it just has to be cut out. I'm doomed to go without any gall at all.

This business of a clinical analysis in-

terested me and as I got to thinking about it I guess we in Agricultural Estimates are just about as inquisitive as doctors. For example, to improve our parity price index we are making a large survey on farm expenditures. If you saw the questionnaire you might want to know just what in tunket the number of bedsheets ma buys, or the number of pairs of shoes that junior kicks his toe through in a year have to do with the parity price of wheat, or hogs, or something else. So far, it looks like we might be examining the guy's ankle because he has a headache. It really isn't that bad, because after all what you get for your wheat, or corn, or hogs, or any other farm product, is going to govern how many sheets, or shoes, or automobiles, or tractors, or tons of fertilizer, or anything else you buy. So now we get back to the basic parity idea. I've talked about that before, so I won't go into it now. Very briefly, it involves interpreting prices which farmers receive for their products in terms of prices of things they have to buy.

So if we are going to construct a proper index that will reflect accurately what the farmer is up against we have to know the relative proportions of things that go into the cost of family living, production, and so on. So you see, ma's sheets, or Willy's shoes have something to do with it after all.

Now I suppose there are some other questions that we ask from time to time on our schedules that seem about as far from the point as some of the questions the doctors asked and some of the X-rays they took of me. But I've learned one thing from this clinic, and that is that a stomach ache can be caused by a lot of things besides eating green apples.

In a way, we're like the doctors, we ask a lot of questions and do a lot of analyses but believe me, they are related to the problems and we do not want to ask anymore of our crop reporters than we have to in order to get accurate answers that will help us serve you better.



S. R. Newell  
Chairman, Crop Reporting Board, AMS

# Surplus Food Distribution Sets New Record

The latest news about the distribution of "surplus" foods is that a new record was reached, during the last half of 1955, as the U. S. Department of Agriculture pushed its programs to make good constructive use of them.

Back in the September issue of the AGRICULTURAL SITUATION, we reported that the use of these foods reached a new record during the fiscal year ended June 30. Now, another new record has been set for the 6 months from July through December.

## ¾ Billion Pounds

During that period, the Department's Agricultural Marketing Service distributed a total of 760,900,000 pounds of food both in this country and abroad—more than three-quarters of a billion pounds of food. That's a gain of 71 percent over the amount distributed in the same 6 months of the previous year.

In this country, that food went to about 11,000,000 school children, to 1,000,000 needy persons in charitable institutions, 100,000 needy Indians, and to 2,250,000 needy persons in family units. The amount of food distributed to these groups totaled up to 290,400,000 pounds, or 20 percent more than in the same period a year earlier.

Foods were distributed during the same period to needy persons in 70 foreign countries around the free world, through the facilities of 18 private United States welfare agencies. The amount of foods distributed to these people reached 470,500,000 pounds for the period—2½ times as much as in the same period a year earlier.

How is that food distributed?

In this country, the distribution of these surplus foods follows the policy of full utilization of the facilities of State governments, and the principle that relief for the needy is a primary responsibility of the State government.

It works like this: The Department delivers the commodities to the States—free of cost, in carload lots—after the States have made satisfactory arrangements for distribution within their boundaries.

Needs in this country are given top priority, and sufficient quantities are reserved to satisfy all such requests for foods. Then, after those needs have been taken care of, every effort is made to use the available foods to feed the hungry in foreign countries.

This expansion of the program during the last half of 1955 has come as the Department intensified its drive to make the fullest use of surpluses.

Even further expansion is ahead.

For one thing, distribution in this country will be expanded as more States come into the program of donation to needy persons in family units, and distribution is made to more people in the States now in the program. Distribution plans for New York and Louisiana were approved recently—raising to 37 the number of States taking part in this phase of the program.

## Pork Distributed

Also, the Department has now purchased more than 87,000,000 pounds of pork products which are currently being distributed to users. Additional quantities are going to be acquired for distribution as this purchase program is continued and intensified under the plans recently announced.

In addition, the first shipments of wheat flour and cornmeal were made in the last half of 1955 under authority of the new Public Law 311, of the 84th Congress. This law authorizes distribution as a strictly domestic relief measure for needy persons, and—as this program moves into full effect—the quantities distributed will continue to expand.

As another means of broadening the program, the Department has announced an expanded availability of commodities—which will make wheat, corn, rice, and dry beans available for foreign shipment, and add wheat and corn to the commodities available to schools and institutions in this country.

Philip V. Fleming  
Marketing Information Division, AMS

# HOW MUCH LABOR IS USED TO GET \$100 OF PRODUCT?

Some farm enterprises still take considerable labor despite the big drop in amount of labor used on farms. The number of farmworkers has decreased about one-eighth in the last 5 years and last year there were only around two-thirds as many farmworkers as 20 years earlier.

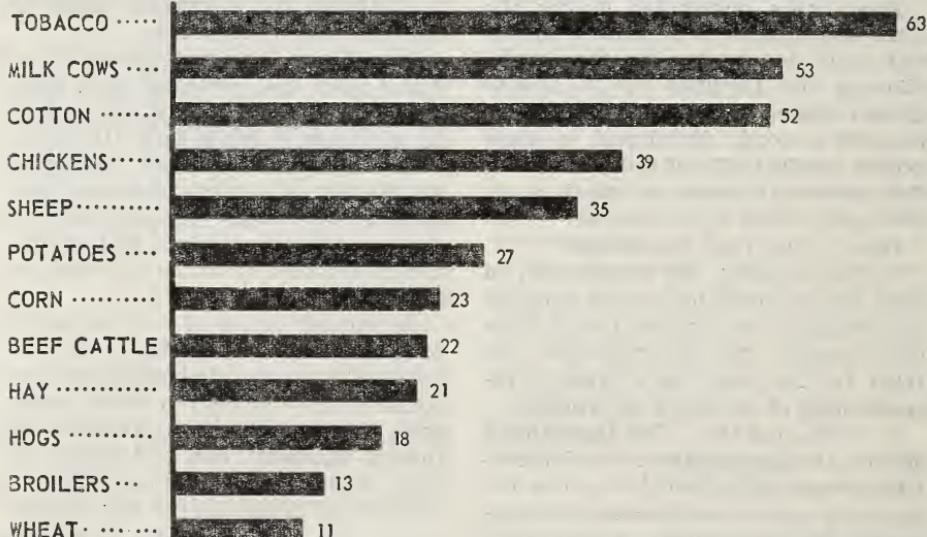
The big increase in farm wage rates and the less rapid rise in prices of items that may be substituted for labor have stimulated its replacement by other resources, particularly machinery, in farm production. Last year, prices of farm machinery, motor supplies, and motor vehicles, including tractors, averaged about twice as high as in 1938-40, just before World War II. At the same time, farm wage rates were 4 times as high. Around the first of this year, farmers were paying higher rates for hired workers than a year earlier.

The cut in labor has been far from uniform among farm enterprises, and

wide differences in labor used in proportion to value of product persist. It should be remembered that prices of products affect the figures shown in the chart. If, for example, average prices of a series of years had been used, different figures would have resulted, but the general picture would be the same.

There are wide variations from the average figures shown. Flocks of chickens, for example, vary all the way from a few birds kept mainly to supply the family with fresh poultry products to large commercial flocks consisting of several thousand hens. Not a great deal of time is spent on the small flocks but there are so few hens that time per bird and per unit of production is high. Large chicken enterprises are usually organized and managed efficiently, rate of lay is high, equipment is modern, and relatively little labor is needed. The products are usually of high quality and they command above-average prices.

**Wide Range in Man-Hours  
Per \$100 of Production, 1955**



# ACREAGE- MARKETING GUIDES ANNOUNCED

Acreage-marketing guides for 1956-crop summer and fall vegetables for fresh use, summer melons, vegetables for processing, and sweetpotatoes were announced by the U. S. Department of Agriculture.

Reductions of 2 percent in total acreage for fresh summer vegetables, 1 percent for fresh fall vegetables, 9 percent for summer melons, and 6 percent for sweetpotatoes were recommended. The guide for vegetables for commercial processing is a total planted acreage 2 percent more than in 1955.

The guides are part of an annual series. Issued seasonally prior to planting time, the guides are designed to assist vegetable growers in planning production. Action by growers on the recommendations is voluntary.

In the aggregate, the 1956 guides for 16 fresh summer vegetables total 484,230 acres to be available for harvest, compared with 492,950 acres for harvest in 1955.

For 15 fall vegetables the guides total 267,900 acres to be available for harvest, compared with 269,480 acres in 1955. For 2 summer melon crops, the guides total 424,200 acres to be available for harvest, compared with 464,270 acres in 1955. And for sweetpotatoes, the guide is 334,400 acres to be available for harvest, compared with 357,400 acres in 1955.

## Planted Acreage Basis

The guides for vegetables for processing are on a planted acreage basis. For 9 vegetables for commercial processing, the guides total 1,680,810 acres to be planted, compared with 1,650,120 acres planted in 1955.

A more detailed report, "1956 Acreage-Marketing Guides, Summer and Fall Vegetables for Fresh Market, Summer Melons, Vegetables for Processing, and Sweetpotatoes," will be available for distribution through the State Agricultural Extension Services.

Of the farm enterprises shown, tobacco, milk cows, and cotton are the heaviest users of labor per dollar of product. Some of the farmers who carry on these enterprises have adopted certain labor-saving practices and machines but all three enterprises still take considerable labor, much of which is hand labor. The increased use of mechanical cottonpickers and strippers from 1950 to 1954 saved an average of 6 man-hours for each acre of cotton grown in 1954. However, almost four-fifths of the crop was picked or snapped by hand.

Around dairy barns, milking machines have been the big labor savers. In 1950, about half the cows were machine-milked and it took about 30 hours less time per year to care for them than for those hand-milked. The machine-milked cows were in the large herds. In addition to milking machines, their owners had more of the other labor savers, such as gutter cleaners, silo unloaders, and convenient barns.

## Saving Tobacco Labor

Machines and practices that will save significant amounts of labor in tobacco production are being introduced. For example, in flue-cured areas, a harvester that cuts labor for priming and barning approximately in half has been used for the last 2 years.

Wheat and broilers are at the other end of the scale of labor used in relation to value of product. Labor-saving methods of growing and harvesting wheat were introduced early and were widely adopted in a relatively short time. Broiler production has increased sevenfold in the last 15 years. Now, many broilers are mass-produced on specialized farms and in modern plants. Many of them are fed and watered automatically and otherwise cared for with a minimum of human effort.

Under present cost relationships, labor-saving innovations often cut total costs. In addition, they frequently lessen the drudgery and unpleasantness of farm jobs.

Reuben W. Hecht  
Production Economics  
Research Branch, ARS

# STOCKS OF FOOD FATS MAY DECREASE BY OCTOBER DESPITE BIG OUTPUT

Despite record output of food fats, we will probably consume and export enough to reduce our stocks considerably by next October 1. Stocks would be at the lowest for that date since 1951 but still would be ample.

Stocks on October 1, 1955, were substantially lower than a year earlier, but the sharp rise in production this season more than offset the drop in beginning stocks. This season we will produce larger quantities of all the major food fats—butter, lard, soybean and cottonseed oil—than we did last year.

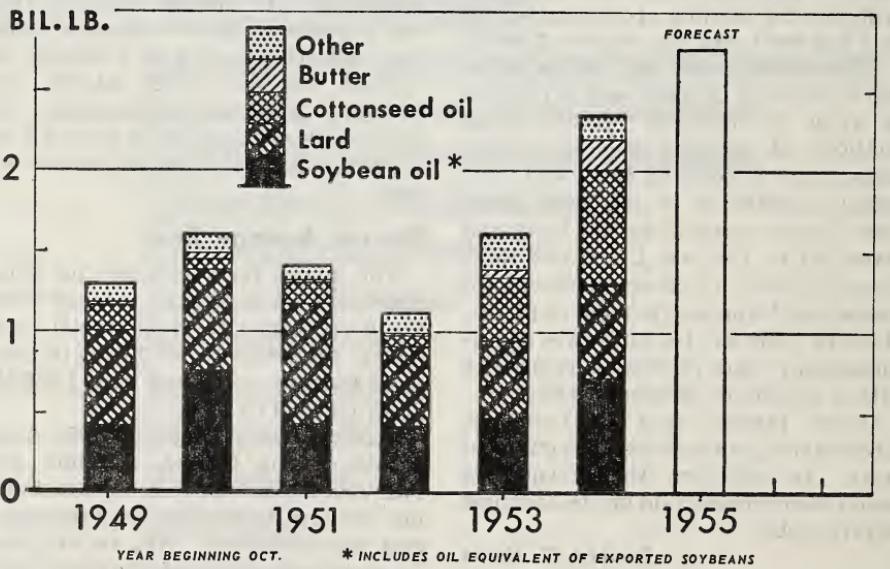
In the current marketing year (October 1955 to September 1956) our total supplies of food fats will reach a new high of about 11.7 billion pounds. This is slightly more than last year's previous peak.

Domestic consumption is likely to

increase a little because of the rise in population. Principally, however, we anticipate a sharp increase in exports. Present prospects suggest that exports of all food fats in 1955-56 may be as much as 15 percent more than the 2.4 billion pounds (including the oil equivalent of oilseeds exported for crushing) that we shipped abroad in 1954-55. More lard, soybeans, and edible vegetable oils will go out. Before last year, the peak had been 1.6 billion pounds in the 1950 and 1953 marketing years.

Exports of food fats probably would not rise as much as estimated if prices move up very much. Some countries would probably try to get along with less oil, since part of it is now contributing to increased standards of living. Also, a substantial part of our exports of edible oils and lard is being financed

## EXPORTS OF FOOD FATS & OILS



by U. S. Government programs. A rise in price would reduce the quantity of oil that could be bought with a given authorization of dollars.

Exports of edible oils, not including soybeans, may be up about 20 percent from the 900 million pounds shipped abroad last year. Free world shortages in sunflower and olive oils are accentuating a good demand for U. S. edible oils.

Exports of lard in 1955-56 are expected to be about 20 percent larger than last year and the most since the 1951 marketing year. Bigger supplies, lower prices, and Government programs are encouraging greater exports.

Soybeans, with strong domestic and export demand, are apparently moving to market rapidly. Through mid-December, farmers had placed only 6 percent of the 1955 crop under support programs, compared with 8 percent of the 1954 crop a year earlier. A strong export demand for edible vegetable oils is encouraging a heavy crush of soybeans and other edible oilseeds.

### Soybean Exports Up

Exports of soybeans are running at a record rate and the year's total probably will be about 70 million bushels. The previous peak was 60 million last year.

Based on these estimates for exports and crushing, the carryover of 1955-crop soybeans on October 1, 1956, would be no larger than at the end of last season, despite a 9 percent larger crop.

Soybean prices, which were around support in November, rose about 7 percent between then and late January. The current situation suggests that demand for soybeans through the rest of the marketing year will continue strong and some rise in prices from present levels is probable. Another consideration that will help to maintain prices is the President's statement that supports on the 1956 crop of soybeans, soon to be announced, will be raised.

The following considerations will tend to limit the rise in soybean prices: (1) Meal supplies will be large enough

to prevent much rise in meal prices; (2) foreign takings of soybean oil and soybeans probably would fall off if prices rise sharply.

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## Farms With Chickens Decrease 19 Percent

A decline of 19 percent in the number of farms which have chickens 4 months old and over was revealed in the preliminary reports from the 1954 Census of Agriculture.

In October and November 1954, 71 percent or 3.4 million of the 4.8 million farms in the United States had on hand some chickens 4 months old and over. This was a decline of 19 percent from the 1950 Census, and was a sharper decrease than the 11 percent decrease in the total number of farms in the United States.

The age criterion set up by the Census excludes commercial broilers which in 1954 were sold from 49,076 farms.

The 3.4 million farms reported by the 1954 Census as having chickens were exceeded by the 3.7 million farms having beef or dairy or both types of cattle. In the 1950 Census, 4.2 million farms had chickens compared with 4.1 million farms having beef or dairy or both types of cattle.

The 1950 and 1954 data on the number of chickens on hand are not entirely comparable because of changes in the time of year at which poultry were enumerated. In the 1950 Census, the data were for April 1 while the 1954 data were for the day in October or November when the individual farm was enumerated.

The largest reductions in the number of farms reporting chickens 4 months old and older were 22 percent in the North Atlantic and Western regions. The smallest decrease was 13 percent in the West North Central region.

Information obtained from the Census of Agriculture serves as a benchmark and guide for the estimates of production, inventory, acreage, yield, and other statistical series issued by the Department of Agriculture.

# FARMERS' WORK, INVESTOR'S MONEY INCREASE BROILER OUTPUT

Farming is always considered rather risky, but the upsets in the broiler market can be spectacular. It's a quick way to make fairly good profits or lose your shirt.

All farmers need money to finance the production of their crops, livestock, or poultry. If they don't have enough money themselves, they must get it elsewhere, often from a bank.

But you don't usually get bank credit to raise broilers. So contract-growing has entered a new area of farming. Someone with capital furnishes the means of production to a farmer, who supplies his labor.

## Mass Production

It used to be that chickens were mostly produced in fairly small farm flocks, mainly as a byproduct from the production of eggs. Broiler raising, in contrast, is a mass production business. It ordinarily takes 9 to 11 weeks to raise a flock of broilers.

A small sideline flock of 3,000 to 5,000 broilers requires about \$2,000 to \$3,000 of working capital. A flock of 12,000 to 15,000 birds, which could take the full time of one man, requires around \$7,000 of operating capital before the broilers are fully grown. This is more money than many farmers can invest.

Innovations in broiler financing began when investors recognized the opportunity for farmers and suppliers to profit from the business. A promoter, investor, financier—call him what you want to—would approach farmers who had buildings suitable for raising broilers and who needed additional income. He proposed that he provide chicks, feed, and medications and that the farmer raise the chickens.

If the farmer hasn't facilities, the investor may even sponsor buildings and equipment, too. The capitalist risks his money, the farmer risks his labor. The practice of financing has brought together capital and labor that had never got together before.

When the broilers are sold, operating profits are divided in a proportion agreed upon—frequently 25 percent to the one financing the venture and 75 percent to the farmer. If the project is a failure, the promoter stands the loss. The farmer loses his time and labor and gets only the "bag money," that is, what he can get for the emptied feed sacks.

This is one of the simplest and yet more common financing plans. Others, where the financier pays the farmer so much per week for boarding the chickens, regardless of the price of poultry meat, or so much per pound of broiler meat produced, can be likened to a putting-out system rather than to share-cropping. Each plan may have clauses which offer a bonus for better-than-average efficiency, usually measured by conversion ratios.

Why did the financier undertake the venture? Well, generally he was already in some business not remote from broiler-raising. He might be a feed dealer. This system assured him a market for his feed for several months. Financing helped to keep up the volume of his sales, and to meet his fixed overhead.

The investor might be a hatchery-man; the plan increased the market for his chicks. If the financier had a poultry dressing plant, he assured himself a supply of broilers. Sometimes he had a combination of these interests.

To the advantage of the farmer, financing provides a new chance of income at small risk, and a way to use his and his family's labor. It trains him in a new skill, for the man who finances the project provides supervision and advice on the best way of feeding and caring for the chicks.

## Favored Meat

For consumers, the new system increased the supply of a favored meat. During the war, when other meat was rationed, broilers provided a welcome

addition to the Nation's food supply at a low cost in feed requirements, for broilers are as efficient as hogs at converting feed into lean meat.

Because of the system of supervision by the financier, efficient methods have been adopted rapidly in broiler production.

As we have seen, financing can work to the advantage of farmer, investor, and consumer. Whether the terms are partial to the investor is another question.

It is pretty hard to say of any business transaction what is fair and what is not. Investors take risks that others are unwilling or unable to take. And in broiler financing they provide more than the goods to which a price tag can be attached—many additional services come in the financing package. They expect to be rewarded for these services.

### Risk Is Spread

It is true that the financier has ways of safeguarding his investment. For one thing, the "credit" price he charges the farmer for chicks and feed is higher than discounted prices for cash sales. This automatically takes more out of the total receipts for the sale of the chickens before the profits are divided.

By his interest in the flocks of several different producers, each ready for market at a different time, the financier can also spread his risk. What he loses on one flock through diseases or low prices, he may pick up on another.

The accumulation of divided profits could enable farmers to get their broiler enterprises off the contract basis. The fact that many farmers continue to accept financing after they could finance themselves is in itself an indication of farmers' attitudes.

If he can accept the risk, it would seem that the experienced farmer might better his chances by financing himself and taking advantage of lower cash prices for his feed and other items, while still accepting feed dealers' services and management recommendations.

One of the difficulties with the contract financing system is that it does not always give appropriate reward to the most efficient producers. Naturally, the promoter prefers to quote the

same prices and terms to all his customers, for they can check with each other to find out if all are getting the same deal.

But under simple financing systems if they all get the same payoff, they are less urgently inspired to do the most efficient job. Some efforts have been made to remedy this defect by giving bonuses to those who exceed a stated norm of feed-to-meat conversion.

Does the system tend to provide more broilers than the market will absorb and thus contribute to instability in the broiler market?

Some argue that when farmers do not have to risk cash for producing the broilers, they are more willing to undertake the production job, whether market demand justifies it or not. And the feed dealer, hatcheryman, or processor thus keeps his sales up to utilize his facilities.

We have seen many changes in broiler financing, and we will no doubt see further modifications. These may well increase the farmer's part in management, raise returns to the best producers, and adjust supplies more readily to demand.

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Farmers produced well over 1 billion broilers in 1955, compared with only 143 million in 1940. Their value was well over 10 times the \$72,000,000 grossed by the 1940 output.

The map below shows 22 important broiler States for which weekly chick placement reports are available. These 22 States produced over 85 percent of the 1954 broilers.

### 22 IMPORTANT BROILER STATES



| Indexes (1910-14=100)   | 1955    |              |               |               |                   | 1956         |
|---|---------|--------------|---------------|---------------|-------------------|--------------|
|   | January | Octo-<br>ber | Novem-<br>ber | Decem-<br>ber | Year<br>(average) | Janu-<br>ary |
| Prices received by farmers.....                                     | 243     | 230          | 225           | 223           | 237               | 226          |
| Parity index (prices paid, interest,<br>taxes, and wage rates)..... | 283     | 280          | 279           | 278           | 281               | 281          |
| Parity ratio.....   | 86      | 82           | 81            | 80            | 84                | 80           |

Farmer's share of consumer's food dollar—38 percent in December 1955; 42 percent in December 1954.



### March

Merchandising help for farmers whose products are in plentiful supply will stress a round dozen items of farm products in March.

**Pork, beef, broilers and fryers, rice, potatoes, grapefruit, milk and other dairy products, canned and frozen cherries, lard, peanut butter, canned tuna in oil, and dates are the March plentifuls.**

These commodities have been named to USDA's Plentiful Foods List for March—a monthly list compiled by marketing specialists as a guide for cooperators in the Department's Plentiful Foods Program.

Inclusion on the list assures special attention from members of the food trades who intensify their merchandising efforts on plentiful foods to help move them through regular trade channels. Press, radio and television food writers also help by calling consumer attention to these foods.

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DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE  
WASHINGTON 25, D. C.

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